

ETNA VIDEO

A Division of Gowanna Multimedia

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JUL 23 2001

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Magalie Roman Salas
Office of the Secretary
Federal Communications Commission
445 12th Street SW
Washington, DC 20554

Re: Docket # 01-129

Dear Ms Salas:

Below, please find the updated text of a letter sent to Mr P Abbott McCartney of the FTC in 1999 concerning business practices in the home video rental industry. I understand that your office is requesting comments on competition in the entertainment industry (Docket #01-129), and felt this would be of interest to you.

If you or your office have any questions, or if you wish to discuss this further, please do not hesitate to contact me on (412) 684-1400

Dear Mr McCartney:

I am a small business owner from suburban Pittsburgh, Pennsylvania. Our shop has been a part of the neighbourhood since 1992. In that time, we have built up a loyal clientele, as well as a nice line of work for my family, and a few other families in the area. By no means did I expect to become wealthy with this business, but I feel that I should be rewarded for working, very frequently, 14-hour days.

Recent changes in the video rental industry have changed the game greatly for all of the independent shops, the little guys who keep the economy going. According to industry sources (Video Business Magazine and Video Store Magazine), as many as 400 independent video stores are closing their doors every month, never to reopen again. They are being put out of business because they cannot compete with the major chains, the Blockbusters and Hollywood Videos, on an even playing field.

Over the past eighteen months, these two chains, in particular, have conspired to seek drastically lower prices on their rental product. Up until the end of 1997, everyone, Blockbuster included, paid around \$70 a copy for all rental tapes. Blockbuster felt they were unable to succeed under these equal terms, and approached the studios about a change in the entire pricing structure of our industry. The studios gave the larger chains "sweetheart deals" that precluded the vast majority of our industry, the independent chains and single stores, from receiving similar pricing

In a possible conspiracy, Blockbuster was able to reduce their cost per tape greatly, to the point that they pay ONE-THIRD what the independents pay for the exact same tape, according to Video

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Business. Now, in addition, Blockbuster has negotiated deals to offer exclusive titles, denying the majority of the industry from even being able to buy these tapes at any price!

In my six years in this industry, I have seen a lot of competitors come and go. However, we were all competing on equal footing. Now, we are seeing independent stores, some open since the advent of video twenty years ago, going out of business at the rate of nearly 5000 a year! Meanwhile, Blockbuster has seen their market share grow from 20% just a few years ago to 40% today, as reported in Video Store Magazine, with a goal of at least half of the video rental market by as early as the end of this year. They are destroying competition in this industry, and have colluded with the studios to ensure that what competition remains cannot compete fairly.

With Blockbuster's parent company, Viacom, owning studios and television stations - as well as one of the major video producers, Paramount Home Video, does it not seem fair to question if they are benefiting from an illegal and unfair monopoly? Until recently, studios were not allowed to own movie theatres because of the damage caused to independent theatre owners. The relevant act was repealed in 1990, due in a large part to no longer being seen as necessary. However, Blockbuster is benefiting from the exact same type of monopoly that was outlawed nearly 50 years ago. Viacom, the parent company, controls the production, distribution, broadcasting, and rental of their product. By charging other retailers more than their own rental arm pays, a situation of unfair trade exists. Even Hollywood Video, which has received many of the same deals that Blockbuster negotiated, has been unable to get a fair deal with Paramount (Viacom) titles, to the point that this chain has boycotted certain video titles, and will not carry them in their store

Our main concern is that Blockbuster Video, and to a lesser but equally damaging extent Hollywood Video, has conspired to control the video rental industry, in violation of anti-trust, illegal pricing and various other unfair trade statutes. We at Etna Video join many other independent video retailers in urging the Federal Trade Commission to look into these practices to ensure that no laws are being broken. Our feeling, on the front lines so to speak, is that something is not right, and we suspect that the FTC might very well be surprised at the practices in this industry. We are not asking for any type of assistance with our business, and are quite willing to succeed or fail on our own merits. However, we feel that we have every right to expect a level playing field for ALL businesses in this industry. Thank you for your time and consideration in this matter.

Regards,



--Mel Eperthener
owner, Etna Video

cc: Independent Video Retailers Group
The Honourable Richard Santorum, Senator
The Honourable Arlen Specter, Senator

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